California Energy Commission

Guidance to the
California Climate Action Registry

Registry Board Meeting

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Pierre H. duVair

Climate Change Program

Overview

- Process Used to Develop Guidance

- Reporting Protocol

- Certification Protocol

- Approval of Third-Party Organizations

- Summary

Process Used to Develop Energy Commission's Guidance

An Open and Public Process

- Inclusive process

- Two public workshops

- Straw proposals, Work Group comments

- Draft reporting protocol, public comments

- Registry Board comments

- Commission directions

- Coordination with Registry staff

Inclusive Process

- Over 3,500 persons or businesses contacted with initial notification

- 120 on Commission's mailing list and 380 on Registry's list

- 50 self-selected Work Group members

- Work Group includes environmental groups, businesses, consulting firms, government, and general public

Public Workshops

- 1st workshop held in **December 2001**
  - * Introduce SB 527 requirements
  - * Start the Work Group process

- 2nd workshop held in **March 2002**
  - * Discuss draft Reporting Protocol
  - * Receive public input

Straw Proposals and Work Group Comments

The Work Group commented on:

- Four straw proposals covering major elements of a reporting protocol

  Dec. '01-Jan. '02

- Certification straw proposal

  April -May '02

- Draft process to "approve" third-party organizations to the Registry

  April '02

Draft Reporting Protocol and Public Comment

- Informed by and developed with effort provided from the Work Group

- Written comments from 14 parties including industry, consultants, and environmental groups

- Received comments during public workshop

Registry Board Briefing and Comments

- At the 11/13/01 Registry Board meeting discussed work of Energy Commission, timeline for implementation

- At the 3/18/02 Registry Board meeting presented draft consultant report and comments received at public workshop; received Board comments

Commission Directions

- Provided Commissioners with papers covering key questions, received policy directions on issues

- Provided updates to Transportation and Efficiency Committees

- Discussed the draft guidance with Commissioners and management

Coordination With Registry Staff

- Commission staff frequently discussed and received feedback from Registry staff on relevant issues throughout development of this guidance

- Commission staff updated Registry staff through emails, telephone conference calls, and meetings

General Reporting Protocol

Reporting Protocol Outline and Key Guidance Issues

- **Boundaries** by management control and optional pro-rata for joint-ownership

- **De minimis** set at 5% of total CO_2 equivalent emissions of participant

- **Emission factors** from approved lists

- **Level of reporting detail** at facility level

- **Confidentiality** policy to be provided

Boundaries

Pros

- Consistent with World Resource Institute GHG protocol except as directed by SB 527

Cons

- Hybrid of two approaches to reporting
- May not be consistent with possible future mandatory reporting methods

De Minimis

Pros

- Captures 95% of all emissions
- Works for large and small participants
- Does not impose undue burden
- Provides participant choice

Cons

- Large emitters will not be required to report significant amounts of emissions

Emission Factors

Pros

- Approved lists are well established
- Provides flexibility to the participants
- Will accept more precise, source specific emission factor

Cons

- Participants' results may not be consistent across firms in same sector

Level of Reporting Detail

Options considered include reporting to the Registry at the following levels:

* Source

* Facility

* Entity

Reporting at Source Level

Pros

- Data most transparent to the Registry
- Could lower cost of certification
- Consistent with criteria air pollutant requirements of local air districts

Cons

- Additional reporting effort and expense
- Participant may be concerned with confidentiality of data

Reporting at Facility Level

Pros

- Provides some transparency to data recorded by the Registry
- Provides data which may allow Registry to improve methods
- Less expense and burden than reporting at the individual source level

Cons

- More burden and expense than reporting solely at the entity level

Reporting at Entity Level

Pros

- Minimal reporting burden
- Reduced concern for confidentiality

Cons

- Minimal transparency for Registry
- Minimal data to improve Registry reporting or develop industry metrics
- Relies almost exclusively on certifiers
- Certification may be more expensive

Confidentiality

- At the Commission's second public workshop, it was suggested that a confidentiality policy be developed

- Registry staff will develop a confidentiality policy

Certification Protocol

Certification Protocol Outline and Key Issues

- Only approved independent third-party organizations can act as certifier

- Certification process includes evaluating:
  * consistency of entity's reporting program with Registry protocols
  * reasonableness of the data (minimum quality standard)

- Certifier to be selected by participants

Third-party as the Certifier

Pros
- Greater credibility than with self-certification
- Greater consistency in certification process

Cons
- Limits participants' options
- Additional expense

Certification Process: Evaluating Participants' Program

Pros

- Required by legislation
- Most efficient method for determining sample selections (least cost sampling)

Cons

- Additional steps in certification process

Certification Process: Evaluating the Reasonableness of Data

Pros

- Required by legislation
- Minimum quality standard in definition of certification
- Provides greater confidence in the data

Cons

- Additional steps in the certification process, greater cost

Accommodation for Registry Participant Categories

- Small size participants with simple operations

- Larger participants reporting via the Registry on-line calculation tool

- Larger participants reporting pre-calculated results

Possible Steps to Certifying Emission Results

- Sign-up with the Registry

- Establish program or procedures to gather essential information

- Quantify and report annual and baseline (optional) emissions results

- Hire an approved firm to certify results

- Certifier submits opinion letter to Registry

Request For Applications (RFA)

A Process to "Approve" the Third-Party Organizations

RFA Process Outline

- Applicant to submit Statement of Qualifications (SOQ) in response to RFA

- Evaluation Committee to review SOQ for state-approval

- Recertify every three years

- Registry may provide additional requirements before listing firms as a Registry-approved third-party

More on the RFA Process

- Qualifying the "organization" and not the individual certifiers or advisors

- At this time, qualifying certifiers only for the General Reporting Protocol

- Process similar for advisors and certifiers, with additional requirements for the certifiers:
  - auditing experience
  - financially liable for opinion letter

Issues with the Approval Process

- Minimum Qualifications
  - 10 years existence and 5 years experience

  or

  - 5 years existence and 2 years experience

- Conflict of interest:
  Third-party must agree not to act on behalf of any participant as **<u>both</u>** consultant and certifier within a three year time period

Minimum Qualifications

Advantages to shorter timeframe

- new companies able to qualify
- greater choice for Registry participants
- increase geographic range
- should lower the price of services

Disadvantages of shorter timeframe

- less confidence in the service provider
- Registry participant assumes greater risk

Conflict of Interest

- Conflict provisions apply only at the level of the organization

- Provisions could apply to both the organization and individual staff

- Conflict of interest could be limited to consulting and certification on GHG related issues

Summary of Guidance

Context of Energy Commission Guidance to the Registry

- Commission recommendations on Reporting and Certification Protocols, process for approving third-parties

- Recommendations are a first step in an evolutionary process to develop and improve Registry protocols

- Will revisit by July 1, 2003

Questions Related to this Guidance?

Contact Energy Commission staff
in the Climate Change Program:

Pierre duVair   (916)-653-8685
Jeff Wilson   (916)-657-4774